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RUEHBR/AMEMBASSY BRASILIA 7542
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RUEHME/AMEMBASSY MEXICO 1944
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RUEHQT/AMEMBASSY QUITO 4685
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SUBJECT: ATPDEA: NOT SO IMPORTANT AFTER ALL?

SUMMARY

11. (U) In a December 1 presentation, Vice President Garcia Linera minimized the importance of Andean Trade Promotion and Drug Eradication Act (ATPDEA) benefits for Bolivian exporters, noting that products relying exclusively on ATPDEA trade preferences represented only 13 percent of total exports to the United States in 2005 and suggesting that exporters provide fewer than 23,000 direct and indirect jobs. Garcia Linera implied that ATPDEA may be less vital to Bolivia's economic health than many think -- after a concerted GOB push for the Act's renewal and just days before the Bolivian ministers of planning and finance expected to travel to Washington to build on the vice president's past lobbying efforts.

ATPDEA: NOT SO IMPORTANT AFTER ALL?

12. (U) (U) In a December 1 presentation, Vice President Alvaro Garcia Linera minimized the importance of Andean Trade Promotion and Drug Eradication Act (ATPDEA) benefits for Bolivian exporters. He noted that products relying exclusively on ATPDEA trade preferences represented only 13 percent of Bolivia's total exports to the United States in 2005, or \$40 million of total exports of \$308 million, and suggested that export industries dependent on U.S. markets provide no more than 5,200 direct and 17,700 indirect jobs (far fewer than the hundreds of thousands cited in April 2006 press reports and in articles since then). According to the vice president, the GOB derived employment figures from firms representing approximately 90 percent of total exports to the United States; if the figures are accurate, he implied, the number of jobs directly related to ATPDEA is even smaller. Garcia Linera recognized that ATPDEA trade preferences are vital to certain industries, such as textiles and apparel, but suggested that the Act's benefits play a relatively minor

role in total trade volume.

THREE FUTURE SCENARIOS

13. (U) Garcia Linera outlined three future scenarios. In the first, under which ATPDEA trade preferences expire on December 31, certain exports, including textiles and apparel, would face tariffs ranging from 16.5 to 19.7 percent. Of the 416 items exported to the United States in 2005, the vice president noted, only 125 relied exclusively on ATPDEA benefits; these would be the only products affected by the expiration of ATPDEA trade preferences, and these totaled only \$40 million. Garcia Linera argued that Bolivian exporters could remain competitive even with new tariffs, thanks in part to the GOB's September 9 decision to establish a \$12 million fund to cover exporters' estimated \$8 million tariff bill (calculated as an average 20 percent tariff levied on \$40 million of ATPDEA-dependent exports).

14. (U) In the second scenario, a renewal of ATPDEA benefits through the end of 2007, Bolivian exports would grow by an estimated 19 percent, up from expected 2006 exports of approximately \$377 million. An estimated 13 percent of total exports to U.S. markets would continue to rely exclusively on ATPDEA trade preferences; Bolivian exporters would avoid immediate consequences but face continued uncertainty regarding the future of ATPDEA benefits.

15. (U) In the third and final scenario, Bolivia would negotiate a long-term Fair Trade and Productive Cooperation Agreement, under which all Bolivian exports would enjoy duty-free entry to U.S. markets, in exchange for reduced-duty treatment of U.S. capital goods exports (as long as those exports did not threaten domestic production). Garcia Linera said the GOB should consider the possibility of negotiating a reciprocal agreement with the United States, under which Bolivia would exchange its manufacturing and agricultural exports for U.S. capital goods exports. This, he noted, would benefit both countries while recognizing existing "conditionalities" and Bolivia's special needs as a developing country. Garcia Linera presented a long-term trade arrangement as one of several options but did not forcefully advocate for negotiation.

COMMENT

16. (SBU) Throughout his presentation, Garcia Linera implied that ATPDEA may be less vital to Bolivia's economic health than many think -- after a concerted GOB push for the Act's renewal and just days before the Bolivian ministers of planning and finance expected to travel to Washington to build on the vice president's past lobbying efforts. The seminar provided an interesting preview of GOB attempts to spin the potential expiration of ATPDEA benefits and offered useful insight into the GOB's strategy for coping with the non-renewal of trade preferences. Septel will report on the GOB's assessment of Bolivia's Peoples' Trade Agreement with Venezuela and Cuba.

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